# FOREIGN AGRICULTURE

Harvesting grapes, France.

## Cotton Futures Trading

September 29, 1975

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# Marketing Woes Beset Dutch Turkey Industry

By JOHN A. WILLIAMS
*Former Asst. U.S. Agricultural Attaché*
*The Hague*

Although turkeys were first introduced into Europe from North America around 1550, the precise date they were brought to the Netherlands is not known. No important commercial industry developed for many years, mainly because Dutch—and other European—consumers considered turkey exclusively a specialty item, reserved only for Christmas dinner or to be eaten in better restaurants.

During the past decade, however, commercial turkey production has begun to take hold in the Netherlands, spurred by growing sales potential in both the domestic and export market. The industry has developed around two centers—one in the north at Wezep in Gelderland, the other at Heythuysen in southern Holland's Limburg Province.

Northern Holland's turkey industry developed mainly at the Wezep poultry slaughter plant, which began producing turkeys commercially in the mid-1960's, after considering the industry for many years as a logical offshoot of its poultry business. After contacting several foreign breeding operations, the firm signed an agreement in late 1965 with British United Turkey (B.U.T.), a subsidiary of a U.S. firm. The B.U.T. share of the Dutch industry has declined in recent years, although poults continue to be provided for multiplication purposes.

At about the same time turkey production was getting underway at Wezep, the industry also began to emerge importantly in the south. In the early 1960's, the director of the Boxmeer poultry slaughter plant, while traveling in the United States, was impressed with certain U.S. turkeys. Recognizing the demand for small birds on the West German market, he arranged to have breeding stock imported from the United States.

In cooperation with the then-infant Coolen Company, already raising turkeys on a limited scale, the firm eventually became Coolen B.V.—now dominant in the field and originator of the well-known indico breed. In 1972, the firm severed ties with the U.S. organization.

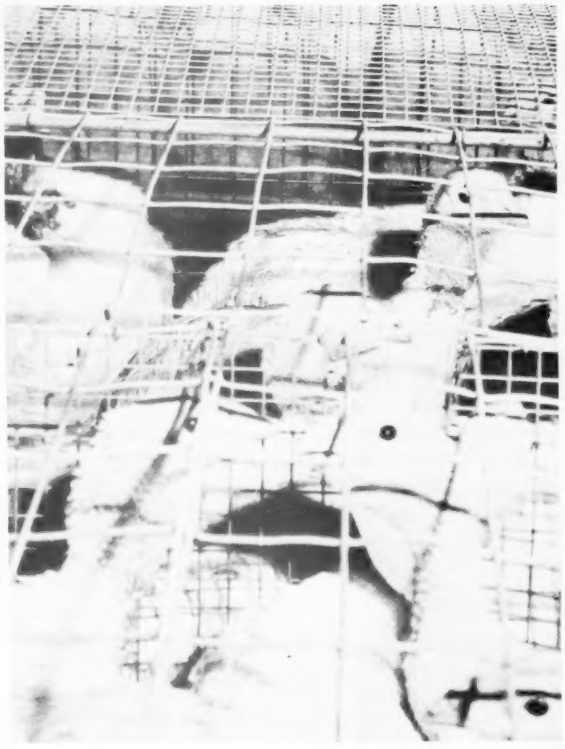
THE BOOM that swept the Dutch turkey industry to a 5-percent production increase in 1973 and a 19 percent rise in early 1974 is fading. The export-oriented Dutch industry—increasingly competitive with U.S. turkey sales to Western Europe—is now up against large stocks and market prices that are low in comparison with costs.

The hard times facing the Dutch turkey industry result partly from a decline in consumer demand in Western Europe, which in turn is partially a consequence of the petroleum crisis. Not only are these effects being felt domestically, but they have also been a factor in the tightening of West German border restrictions—a constraint on Dutch sales.

Up to 70 percent of Dutch turkey output is normally exported—shipments in 1973, for example, totaled 10,838 metric tons. Of this, an overwhelming 95 percent went to West Germany, so that the additional border protection that Germany is providing to its turkey industry is a serious consideration for the Dutch. On November 1, 1974, Germany required reinspection of all poultry imports, poultry transshipments, hatching eggs, and feather and feather parts. Further, the value-added tax on

**Mr. Williams is now U.S. Agricultural Attache, Kinshasa.**

*Dutch turkeys, left, are probably headed for the export market, since up to 70 percent of output is exported—most to West Germany. Young turkeys in batteries, below.*



imports was boosted by 1 percent.

In addition to problems in demand both at home and in export markets, Dutch turkey producers are subject to some degree of foreign competition in export sales, despite the highly protective trade system of the Common Market. This competition emanates from both East and West.

East European countries are major suppliers of wild frozen game to EC countries. It is not uncommon for importers to find such shipments include arbitrary quantities of turkeys in a consignment. Substantial quantities of East European turkeys have shown up in West Germany, for instance, the Netherlands' top market.

From the West, the United States is the competition. Lower U.S. production costs have enabled some U.S. turkeys and products to surmount the high EC levies. Although 11,342 metric tons was exported to the European Community in 1974, high import charges may continue to restrict this trade in 1975.

As of August 12, however, supplementary levies on whole turkeys were reduced from 12.6 cents per pound to zero. At the same time other supplementary levies were reduced (in cents per pound based on exports to Germany) from 37.9 to 18.9 for turkey halves and quarters and from 37.9 to 25.2 for turkey breasts.

However, total import charges were still larger than on May 1 for all items except turkey breasts because of recent increases in variable levies and other increases in supplementary levies between May 1 and August 8.

A growing proportion of European turkey trade is in parts and further-processed items, as contrasted to whole carcasses. In this regard, the Dutch turkey industry, in common with the industry in most European countries, is at a disadvantage as compared with the U.S. industry. The typical European turkey is small by American standards, with only a fifth of the Dutch birds, for example, exceeding 10 pounds ready-to-cook. In contrast, in the United States, the average for all turkeys is about 16 pounds, with toms—half the crop—typically dressing out at 18 to 28 pounds. These heavier carcasses are more efficient sources of meat for parts, roasts, rolls, loaves, and other prepared items.

Nowhere in Europe does per capita turkey consumption approach the 1974 U.S. level of 8.8 pounds per person; in the Netherlands in 1974, it was about a half pound per person. Even allowing for the high percentages of exports, the industry obviously requires a very high degree of economic concentration to

achieve normal economies of scale for the individual firms involved.

Consequently, the breeding functions of the Dutch industry are dominated by one firm—Coolen B. V. at Heythusen—with a claimed 88 percent of the Dutch production of poults (baby turkeys) and hatching eggs.

For all practical purposes, commercial turkey production in the Netherlands is dominated by the indico breed, developed by Coolen after years of extensive crossbreeding and selection. The name indico comes from the ancient Greek word indica, meaning turkey, combined with co, meaning Coolen.

COOLEN CLAIMS to be the second largest exporter of turkey breeding materials in the world, trailing only a California-based U.S. firm. Of the 5.2-million turkey hatching eggs that the Netherlands exported in 1973, for example, Coolen accounted for 91.5 percent of total exports. Total Dutch production of turkey hatching eggs that year was 14.7 million.

Other Coolen exports include day-old poults and breeding stock—pureline, grandparent, and parent stock—to all West European countries and a number of East European, Mideast, and African countries.

In a recent development that is likely to strengthen Dutch sales, Coolen B.V. in late March contracted exclusive sales rights for their indico turkeys to a large U.S. firm with overseas headquarters in Oudenaarde, Belgium. The U.S. firm, which has subsidiaries in Belgium, France, England, and Ireland, will market the Dutch products in specified West European countries and the Mideast. In the near future, the Far East and North and South America are likely to be included in the sales areas.

The Coolen organization operates about 200 farms. Approximately 30 percent of these are "rearing" farms for parent and grandparent stock, 20 percent are breeding farms, and the remaining 50 percent are fattening or production farms. Although not all of these farms are owned by Coolen B.V., they control over 85 percent of the birds on the farms. Coolen has a hatchery egg setting capacity of 900,000 turkey eggs every 4 weeks. Sales of hatching eggs and poults in 1973 amounted to 13 million.

Approximately 42,000 indico parent birds are housed in cages. Most of these are single deck cages but an increasing number are double deck or two-tier. The two-tier cages stand about 2.5 meters high and accommodate hens in groups of four. The hens are separated from one another by horizontal metal bars. They can be reached easily for artificial insemination (A.I.) by sliding a perforated metal door forward.

Another operation in which the Coolen organization takes great pride is their artificial insemination program. Gobblers are kept in 10 houses on one farm. Their mini, midi, and maxi strains are separated into pens of 35 gobblers each. With a 50 percent selection of gobblers in the parent stage, males are brought to the A.I. center at 30 weeks of age. They are milked two to three times per week during their 16-week stay.

The semen is diluted with Coolen's own diluent and has a viable life of 3-4 hours. Coolen works on a ratio of five gobblers to 100 hens. They have extended the hen insemination period from a previous 4 days to 14 days at present. These two activities—viable semen for 3 to 4 hours and extension of the insemination period—have enabled the firm to reduce their breeding flock gobbler numbers from 15 to 5 percent.

One insemination team handles the grandparent stock and two other traveling teams handle the "commercials." About 20 percent of the commercials are inseminated by the flock owners, who draw semen from the Coolen gobbler farms.

Slaughter of Dutch turkeys is concentrated in three plants—Fri-Ki, Goosens, and Lato (a Belgian firm), which call forth the birds by weight. Rather than expand the limited production area as the birds grow, the mini-weight birds are slaughtered to provide room for the midis, and the midis are slaughtered to make room for the maxis.

FRI-KI, ONE of the largest slaughter firms in Western Europe, is currently marketing 32 different turkey parts and/or further-processed items. The trend is for more and more breast meat and pre-cooked ready-to-serve items.

Since 1972, delivery contracts between the slaughterhouses and producers have been linked to a fixed percentage above the total production cost. This percentage is worked out by a four-man commission, which meets regularly.

Marketing operations are also tightly focused. At present, the Dutch Poultry Product Board—an official body that regulates the poultry and egg sector—plans to increase its advertising for Dutch turkey meat on the West German market. The program is being developed in cooperation with the Dutch Dairy Bureau in Aachen.

Under the program, more promotional attention will be given to turkey meat as a basic part of the meal, rather than as a gourmet item. An effort will also be made to develop a red, white, and blue (Dutch national colors) quality symbol for first-quality products exported to West Germany. Money previously used for TV advertising will be diverted to more radio and magazine advertising, and funding for posters and recipe folders will be stepped up.

DUTCH TURKEY MEAT PRODUCTION, 1973

| Class | Slaughter | | Production | |
|---|---|---|---|---|
| | *Mil. birds* | *Percent by number* | *Metric tons* | *Percent by weight* |
| Mini (1.5-2.5 kg) | 2.7 | 56.5 | 5,988 | 32.2 |
| Midi (3-5 kg) | 1.1 | 23.0 | 4,400 | 23.7 |
| Maxi (6-10 kg) | .9 | 20.5 | 8,173 | 44.1 |
| Total | 4.9 | 100.0 | 18,561 | 100.0 |

NETHERLANDS TURKEY NUMBERS[1]
[In 1,000 birds]

| Item | 1973 | 1974 |
|---|---|---|
| Turkeys: | | |
| For slaughter | 1,143 | 1,365 |
| For hatching egg production (including poults) | 273 | 307 |
| Total | 1,416 | [2]1,672 |

[1] May 1 census. [2] 85 percent of this production was located in the southern Provinces of North Brabant and Limburg.

# Record World Sugar Crop To Exceed Consumption

By LESLIE C. HURT
*Foreign Commodity Analysis, Sugar and Tropical Products*
*Foreign Agricultural Service*

ENCOURAGED by high returns last season, the world's sugar-producing countries mustered all their forces this season to produce what could be the biggest outturn in history. World sugar production in the 1975/76 sugar year, which ends May 1 and includes all harvests started by that date, is targeted at 84 million metric tons—5 million over the 79 million produced in 1974/75.

Despite the almost-assured record, however, no oversupply of sugar is in prospect. Sugar consumption, depressed by high prices last season, has bounced back and in some cases is again on the uptrend. At about 82 million tons, world consumption could run about 2 million tons below production, thereby allowing some buildup in world carryover stocks, which stood at a rather low 15 million tons at the end of last season.

As the supply-demand situation eased and other market pressures relaxed, sugar prices in 1975 have fallen sharply below last season's sky-high levels. As a result, farmers are not likely to be nearly as enthusiastic about increasing their plantings in 1976. In coming months some further price fluctuations and market adjustments are likely, but all in all, the world's sugar situation should again be reasonably stable.

One unknown still remains in the equation, however. Crop estimates still depend on favorable weather for sugarbeet harvests this fall and for cane harvests, which begin about the first of 1976. If weather cooperates, both beet and cane sugar production are slated to rise substantially in 1975/76, since acreage has been expanded in virtually all producing areas.

With only two exceptions, countries producing more than a million tons of sugar annually will chalk up outturns at least as large as last year. The exceptions are Argentina and Brazil—both hard hit by damaging frosts in July. The Brazilian States of Paraná and São Paula, especially, suffered severe crop injury, so that Brazil's sugar output could decline to 7 million tons, compared with 7.4 million in 1974/75.

The United States was one of the countries reacting to last year's sugar shortages and high prices by increasing plantings. Harvested acreage of sugarbeets seems headed for a dramatic gain of 24 percent, while harvested sugarcane acreage could be 6 percent above last year's Cane acreage expansion was particularly notable in Florida, Hawaii, and Texas, while Louisiana showed little change. U.S. sugarcane yields are also apt to be sharply higher than those of 1974, when frost that swept across Florida and Texas lowered yield there.

Following suit, U.S. beet sugar output is likely to record a healthy 700,000-ton increase over the 2.7 million tons produced in 1974/75. The advance is expected despite floods that dampened production prospects in the Red River Valley in early July. Some 28,000 acres in Minnesota and 6,000 acres in North Dakota were flooded at a time too late for farmers to replant.

Early reports from U.S. agricultural attachés and other sources point to sizable acreage and production advances in most major sugar-producing countries this season. In Europe, sugarbeet acreage expanded by 9 percent with the lion's share—17 percent—occurring in Western Europe, mostly in European Community countries. In Eastern Europe, a 5 percent rise in acreage occurred, about a third of this in the USSR.

Leading the Common Market's substantial advance in sugar output are France and West Germany, which expect to boost their production by 500,000 tons and 400,000 tons, respectively. France's gain comes on top of drought in July and early August, which reduced the crop below earlier expectations. Italy and the United Kingdom will also show sizable production increases, and the other five EC countries, without exception, are all likely to increase their output of sugar.

As in other areas, the EC's larger sugar output is mostly a result of acreage expansion. EC countries, considered together, expanded acreage by 15 percent, with the surge led by Italy, which enlarged its sugarbeet area by a whopping 32 percent.

On the other hand, Soviet sugarbeet area edged up by only 2 percent this year. As a result of generally favorable weather, however, production could be an outstanding 12 percent above last season's. All in all, Soviet sugar production could swell by a million tons this season. Even so, imports are in prospect, which may originate from countries other than Cuba—in many years the sole Soviet supplier.

WEATHER CONDITIONS in Eastern Europe affected beet outturns there, and imports are likely to fill production gaps. Summer flooding in Romania reportedly destroyed about 75,000 acres, so that the 1975 crop will be some 90,000 tons below last season's, with total output only a half million tons. Consequently, higher sugar imports are in view for 1975/76.

Conversely, in Yugoslavia, conditions were good for the record 279,000 acres planted to sugarbeets. Planted area, however, was 15 percent below the Government's plan, so imports are still likely to be needed. Yugoslav sugar purchases in calendar 1975 could rise to about 150,000 tons, compared with the 111,577 tons imported in 1974.

Drought was a major scourge affecting cane crops in many areas this season. Since most occurred rather early in the growing period, the hardy cane plants often recovered or farmers were able to replant damaged crops. Drought was particularly severe in South Africa, Cuba, and the Dominican Republic.

Sugar production in Asia and Oceania will show an increase this year, India had a very favorable 1974/75 season and a very large crop. Conditions continued good in 1975/76, so that the industry intends to keep output at the same high level.

The Philippines will undoubtedly record a larger outturn than the typhoon-reduced 1974/75 crop. Prospects are also excellent in Australia. Australian sugar output for 1975/76 has been officially estimated at just over 3 million tons—an all-time record—but the final figure could go well above this.

*European seminars held*

# N.Y. Futures Market Is Hedge For Foreign Cotton Buyers

By DUDLEY G. WILLIAMS
*Foreign Market Development, Cotton*
*Foreign Agricultural Service*

FOREIGN BUYERS of U.S. cotton—plagued by widely swinging prices—are being encouraged to consider on call trading on the New York futures market to reduce some of the risks of forward purchasing. According to a U.S. Government-industry team that recently toured Western Europe, use of this hedging mechanism can help to insure adequate supplies of cotton at reasonable prices to foreign buyers.

An on call cotton trade team,[1] jointly sponsored by FAS and Cotton Council International, recently conducted a series of seminars in Europe to explain the mechanisms and advantages of the on call trading technique to buyers and potential buyers of U.S. cotton. Meetings were held in Barcelona, Spain; Milan, Italy; Bremen, Germany; Lille, France; and Manchester, England, with a total of over 200 cotton industry and trade representatives from 10 European countries attending.

While absolute stability in cotton prices obviously is undesirable, even if possible, some degree of price stability is necessary for the cotton and textile industries to prosper. On call trading—an existing marketing technique—appears to offer a positive approach to stabilizing prices.

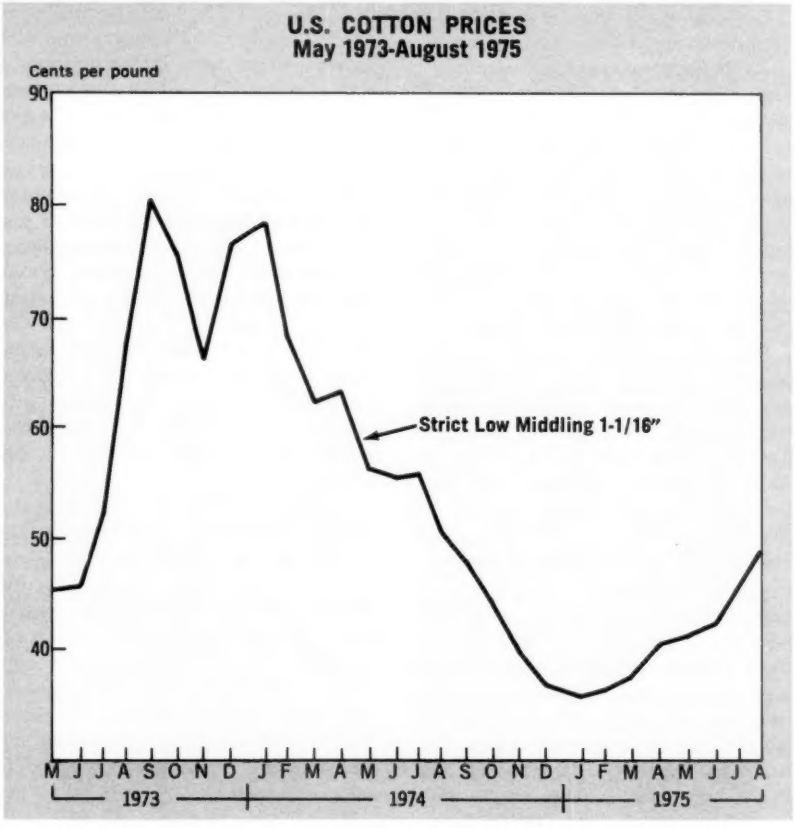
The term "on call" means that the price for cotton can be fixed at any time at the buyer's option—up to 15 days prior to the shipment month. Only the basis is fixed at the time of purchase—that is, the premium and/or discount on the quality purchased, the cost of delivering cotton to a stipulated destination, and other expenses related to export shipment.

Therefore, the buyer using this technique ensures adequate supplies of the grade and staple required. Delivery can be made at the price prevailing at the time that the buyer sells the textiles for which the cotton will be used, or at some other time that the buyer considers to be favorable.

Supply assurance at reasonable prices, always highly important to the textile manufacturer, is even more crucial under today's conditions. Until the late 1960's, U.S. Government-held cotton stocks helped to stabilize world cotton prices and supplied a significant measure of supply security. In the absence of a U.S. stockpile and with the U.S. market-oriented agricultural policy, the world market for cotton is now relatively uninsulated from supply-demand forces.

Further, U.S. farmers now make decisions on acreage and crops to be planted based on their estimates of the highest returns. Thus, the price of cotton, relative to prices of other commodities, becomes a major factor in planting decisions and thereby cotton supplies.

With freer market forces in play, cotton prices are subject to wide fluctuations, as evidenced during the past 2 years. Prices of U.S. Strict Low Middling 1-$^1/_{16}$ inches have varied by 40 to 50 cents a pound since May 1973. This grade sold for a high of over 80 cents in September 1973, as mills scrambled to cover their raw cotton requirements in the face of strong world demand and what many believed to be impending shortages of cotton. The price declined to a low of around 36 cents in January 1975.




[1] **Members of the mission were Carl Campbell, Cotton Council International (team leader); Robert E. Acree, Staple Cotton Cooperative Association, representing AMCOT; Stephen Greenberg, New York Cotton Exchange and Bache and Company; Charles Hakim, James Lawrence and Company, representing the American Cotton Shippers Association; and the author.**

*Trading is active on the floor of the New York Cotton Exchange, which offers foreign buyers of U.S. cotton a facility for hedging forward purchases by means of on call trading.*

*Denim outfit worn by model reflects the fashion boom in casual clothes, which is helping to revive demand for textiles in Western Europe.*

As the world textile recession developed and deepened and cotton prices declined, contracts for substantial quantities of U.S. cotton—bought forward at high prices by some foreign mills—were placed in jeopardy. Although U.S. prices have strengthened somewhat in recent months, shipments of over a million bales of 1974-crop cotton contracted by foreign mills for shipment in the year ending July 31, 1975, were rolled over for shipment in the current season. Letters of credit were opened late for many other contracts.

Mills that lived up to the letter of their contracts—and there were many—absorbed heavy losses on their higher priced commitments unless they sold textiles forward at correspondingly higher prices or hedged their position in some other manner. This situation continues to cause significant financial problems for both sellers and buyers, not to mention the severe stress involved in trying to reach a workable solution.

To avoid recurrence of these problems, some means must be found to moderate price movements and protect sellers and buyers from excessive price risks in the free market.

More stability in cotton prices is necessary to:

- Reduce the risks of forward contracting for cotton growers. This, in turn, would encourage full production and reduce average unit costs, assuring ample supplies of desired qualities at reasonable prices;
- Reduce the risk of forward contracting for textile mills This would permit more effective raw material procurement planning, permitting mills to exploit marketing opportunities fully;
- Assure more orderly marketing and reinforce the sanctity of contracts. The increased marketing efficiency will mutually benefit sellers and buyers;
- Improve cotton's competitive position relative to synthetic fibers, for which price stability is a principal selling point.

ON CALL PURCHASING follows essentially the same procedures as those for fixed price buying. A buyer asks a supplier of U.S. cotton for an offer on call for a specific type or quality, specifying the number of bales needed, the shipping dates, and type of shipment.

The buyer receives the offer in points (each equivalent to one-hundredth of a U.S. cent) per pound "on" or "off" a specific New York futures month.

After agreement is reached, the points "on" or "off" become the basis of the sales contract, and the New York futures month quotation will be the base price, when the price is fixed.

Advantages of on call trading are illustrated by comparing the following actual fixed price transactions with the same transactions on an on call basis.

In August 1973, a foreign mill bought 1,000 bales of Strict Middling 1-$^{3}/_{32}$ inches for March 1975 delivery at 87.50 cents per pound free alongside ship (f.a.s.). By March 1975, the spot price had dropped to 43.60 cents, representing a loss to the buyer of 43.90 cents per pound—more than $200 per bale.

If the same purchase had been on call, the mill could have bought at 450 points on some month (falling within the 18-month forward limitation) on the New York futures market and then transferred the basis at 450 to March 1975. The mill price at fixation would then have been roughly 38 cents, plus the initial 450 points, plus small transfer fees, totaling about 60 points or 43.10 cents per pound.

Thus, in addition to the theoretical saving of over $200 per bale for on call purchases (compared with the fixed price purchase), the purchaser saved 50 points or $2.50 per bale against the

*Continued on page 16*

*A wine industry's "morning after"*

# Wine Boom's End Hits France With Low Prices, Surpluses

By BRUNO JULIEN
*Office of U.S. Agricultural Attaché*
*Paris*

THE COLLAPSE of the wine market following the 1970-73 boom in demand and prices has left French wine producers in a troubled state.

Despite Government assistance programs and various campaigns by the farmers themselves, prices are depressed, inventories are large, and the market is stagnant. And there appear to be no easy solutions: The EC Commission has been grappling all summer with problems of wine oversupply, but a marathon special meeting of the EC Ministers on September 9 was unable to agree on the answers.

The French wine industry's problems began in 1973, when favorable weather led to a record wine production of 2.17 billion gallons. Then came a near-record outturn of 1.99 billion gallons in 1974, when it became obvious that wine consumption and wine exports were not maintaining the rapid expansion rate of the past few years. The resulting build-up of stocks and drop in prices coincided with rapid inflation, reducing wine producers' returns at a time of dwindling spending power.

Producers responded with widespread demonstrations in 1974 and again this year for increased European Community assistance for their industry, restrictions on wine imports from third countries, and higher prices for wine under support programs of the EC's Common Agricultural Policy (CAP).

One of the manifestations of this unrest was the "wine war" with Italy last spring, which saw France ban wine imports from Italy in violation of the EC's basic rule of free trade among Member States. French farmers blocked ports of entry for Italian wine, seized shipments, and ransacked local offices of the French Finance Ministry.

While the satiric press featured cartoons showing Italian Chianti bottles under the guillotine, the Italian Government took its protest to EC headquarters in Brussels. The dispute was resolved in late April when EC authorities increased financial support for wine storage and distillation of wine into industrial alcohol.

Part of the difficulty has been deterioration of the hitherto strong export market. While total volume of wine and brandy exports last year held at the same level as in 1973, value fell 9 percent to the equivalent of about $1 billion—a loss compounded by the 15 percent inflation rate of 1974, plus the rapid increase in wine production costs.

Much of the decline has come in wine and brandy exports to the United States, reflecting strong consumer resistance to sharp increases in prices.

U.S. imports of French wines and brandy fell 36 percent in calendar 1974, to $91 million from $139 million the year before. This put the United States behind the United Kingdom and West Germany as an outlet for French wines, while France skidded from first place in the U.S. wine market to fourth place as it was nudged out by Italy, Portugal, and Spain.

AMONG THE wines, those bearing controlled appellations of origin ("appellation controlée") suffered the greatest decrease. From a record 11.3 million gallons shipped in 1972, exports of these fell to 10.6 million in 1973 and 6.3 million in 1974. And the decline was doubly felt because of the high prices and export earnings these quality wines normally bring in the foreign market.

Ironically, the present slump follows one of the most lucrative periods in recent history for wines, particularly French wines. With rising affluence, increased tourism, and a resulting exposure to continental emphasis on wine as a mealtime beverage, consumption in less-traditional countries, such as the United States and the United Kingdom, showed a sharp jump during the late 1960's and early 1970's.

While producers and exporters were moving to capitalize on this demand, prices of some wines, such as the prestigious Burgundies, were bid up to fantastically high levels. Plantings were increased, especially in the less strictly controlled areas; but it takes 4 years for grapevines to become fully bearing. This set the stage for overexpansion and the current price decline.

Serving to compound the problem was the speculation that developed when wine became such a profitable commodity; scandals involving adulteration of controlled wines, such as the Bordeaux "Winegate;" and the expanded production in other countries. The final blow was the worldwide economic recession of 1974, which drastically slowed purchases and consumption of wine, in France as well as in the export markets.

TO AMERICANS purchasing French wines at several or more dollars a bottle, these marketing problems may seem unreal. The explanation of this apparent contradiction is that the highest quality, most expensive wines go into export. These wines—from Bordeaux, Burgundy, Champagne, and the other famous, strictly limited regions—make up only about 15 percent of France's production, in contract to the dominant position of "vin ordinaire," that unpretentious staple of grocery store and household. In fact, the least expensive French wines on the American market, such as "petit chateau," will be among the most expensive ones on a Paris merchant's list.

To the French, however, the recent problems have been extremely aggravating, reflecting the wide scope and basic vulnerability of France's wine industry—an industry that in 1966-73 accounted for an average 9 percent of all agricultural production and 18 percent of the value of all agricultural exports.

France is, in fact, the world's leading wine producing and trading country. In production, it competes with Italy for first place. In trade, it is the largest importer and the second largest exporter, exceeded by Italy but only because Italy sells so much wine to France.

The imports are mainly low-price heavy red wines, brought in for blending with the thinner wines of France's

largest producing area, the Midi. Before establishment of the European Community's Common Agricultural Policy (CAP) for wine in 1970, such imports came mainly from Algeria and other North African countries. When the CAP ended North Africa's privileged access to the French market, Italy took over as the principal supplier and thus inherited the resentment of French wine growers against imports in times of oversupply and declining prices.

This resentment, in turn, reflects the worries of an industry still composed mainly of small producers, relatively unprepared to cope with the consequences of unstable supplies and prices.

For instance, of the 969,000 grape producers in 1973, only 520,000 were producing grapes for commercial sales. And according to the French Wine Institute, 77 percent of the farms still had less than 2.5 acres of vineyard in 1973, representing 20 percent of France's total vineyard acreage.

Many growers with less than 25 acres will disappear in the future—as some 200,000 of them have in the past 15 years—but the pace will be slower, partly because of the high value of vineyard land. Vineyard prices in 1973 ranged from an average of around $2,730 per acre in the big Midi area in the south to over $36,000 for prime

*Harvesting grapes at Sainte-Croix-du-Mont, near Bordeaux. Even in the premium districts, growers are facing mounting problems because of the oversupply of wine.*

## VINE GROWING AN ANCIENT TRADITION IN FRANCE

Wine production has been around in France almost as long as civilization itself. Roman invaders in the first century B.C. found Gallic tribes cultivating grapes, and later, monks developed vine production around their cloisters.

In terms of planted area, French wine production reached a zenith in 1875 of over 6 million acres—more than double that of most recent years. Five years later, phylloxera (root-destroying insects) invaded and devastated the vineyards, causing planted area to skid to 2.7 million acres by 1910.

But even then, efforts were underway to replace the French rootstocks with American varieties resistant to the phylloxera. This eventually sparked a renaissance in viticulture, with plantings climbing back up to 3.6 million acres in 1924 and quality and yields starting on an upward course that was to bring steady production growth.

Since the 1920's, acreage has ranged between 3.2 and 3.7 million acres, reflecting Government controls on plantings, with the level declining some in recent years to around 3 million. Recent production, on the other hand, has risen from an average of 1.60 billion gallons during 1964-68 to 1.73 billion during 1969-73, hitting a yearly high of 2.17 billion gallons in 1973.

Wine likewise plays an important role in French lifestyles. "A day without wine is a day without sunshine," according to an old French proverb, and seemingly borne out by a French wine consumption of over 30 gallons per capita—a level surpassed only by Italy's and about 18 times average U.S. consumption.

Marketing of the wine is done on the basis of three general quality categories, strictly defined and controlled by the French Government.

- High-quality wine, carrying the "controllé appellation" (AOC) trademark. This is produced from approved grapes in select areas, such as Bordeaux, Bourgogne, Champagne, the Rhone and Loire Valleys and Alsace for wine and Cognac and Armagnac for brandies.
- The Superior Quality Delimited Wines (VDQS). These include some well-known wines generally of somewhat lesser prestige than the AOC wines, but subject to strict rules concerning quality and production regions—mainly in southern France's Cotes de Provence, Langeudoc-Rousillon, and Corsica.
- The Country Wines. This category was created in 1973, mainly as an export marketing device but also to encourage improvement in the quality of France's everyday wines. Wines selected for the category were generally from the better everyday wines of France.

locations in Champagne. In contrast, an average price for ordinary arable farmland was about $975 per acre.

French law has traditionally placed limitations on vineyard area, both as to location and total acreage. French wine growers were consequently disgruntled when the EC CAP for wine did not, as originally promulgated, restrict expansion of vineyard area.

French wine consumption, already high, is not likely to increase greatly in the near future. Therefore, France will remain under continuing pressure to try to expand its exports. Promotional efforts in the United States, where wine consumption is increasing, have already been stepped up.

Such efforts are confronted, however, with expanding U.S. production. In California, for example, 44 percent of the wine grape acreage is in new plantings that will come into production during the next several years. And in view of excess world supplies, prospects for expanding French exports to other major markets are not much more encouraging.

One result of last spring's dispute was an instruction to the EC Commission to submit proposals for bringing production in line with market requirements. Under the plan eventually drafted, new plantings would be severely limited, replantings would be controlled with emphasis on upgrading of quality, controls on yields would be tightened, and incentives for uprooting poorer vineyards would be provided. During the adjustment process, market adjustment assistance (distillation premiums, storage aids, etc.) would be continued.

At a special meeting on September 9, the EC Ministers debated the plan along with related policy issues, such as current exchange rates that enable Italian suppliers to undersell French bulk wine producers in the French market. Despite a 20-hour marathon session, however, the meeting ended in disagreement and fears of renewal of the "wine war."

Unless the supply-demand situation suddenly reverses itself—a prospect which, barring crop failure in 1975, seems most unlikely—the French wine industry will remain troubled, at least in the short run. Over the longer term, adjustments of supplies to demand are likely. Indeed, under the pressure of market forces, they appear inevitable. But for the present, such adjustments can be painful.

# World Weather

Drought eased in Western Europe and Central America, lingered on in parts of the USSR, and intensified in much of Brazil and some of Argentina. Good rains fell in Africa's Sahel and in major crop areas of Australia. There is favorable moisture in most areas of the People's Republic of China (PRC), though some flooding and serious crop losses occurred in central regions and conditions are drier than usual in the northeast. Summer monsoon rains were generally good in India, Pakistan, and Bangladesh though some parts of northern India were hit with flooding. Wet weather slowed farm activities and early frosts caused minor losses in a few places in North America, but conditions on the whole have improved.

Rainfall has increased and temperatures have been more seasonable in most of Western Europe since the mid-August heat wave. In Eastern Europe drought has eased, but not yet ended, in Albania, East Germany, and Poland.

Good harvest weather has prevailed as a rule in the USSR, but some spotty crop damage resulted from early frosts. Summer rains continued in Africa's Sahel and, although variable, they were mostly adequate.

**GRAIN.** Europe's grain production fell below trend and expectations, because of wet conditions last fall that reduced planted area; prolonged hot, dry weather during the summer; and the flooding of the Danube. The last 4-5 weeks have tended to deliver adequate rainfall in much of Europe, including the major winter wheat region of the USSR.

Weather has been favorable for harvest in Asiatic USSR, though much of the New Lands regions continued to suffer dryness and crop deterioration. Frosts, though limited, eroded prospects still more.

In the Americas, wet weather and limited frosts caused harvest delays and quality losses to small grains in Canada and, to a lesser extent, in the United States. Mid-September weather has been much improved, and harvesting advanced well. Generous rains arrested decline of the U.S. corn crop.

Major winter wheat areas of Brazil have been receiving adequate rain but planting of "summer" crops is being delayed by continuation of the long drought in key central areas. Argentine corn has received good rain for the most part—actually excessive in spots—but the winter wheat region needs rain after between 8 and 10 weeks of relatively dry weather.

In Central America, rains came too late in some growing areas to save corn and other grains. Replanted crops will depend more than usual on fall precipitation.

**OILSEEDS.** Soviet sunflowerseed benefited from late summer rain. Eastern Europe oilseed crops have had mostly favorable weather since the Danube flood.

Late summer weather has tended to be favorable for oilseeds in North America. Asian areas have also had favorable weather, though northeast regions of the PRC could have used more rain.

Brazil needs rain before planting can progress. Most of the palm oil producing countries have been receiving adequate rain.

**OTHER CROPS.** Increased irrigation and improved rotation practices have led to prospects of a record or near record **cotton** crop in the USSR, despite the lack of moisture affecting a great part of the cotton area. Weather has been mostly favorable in North America, although picking lags from wet weather in minor producing areas. Heavy August rains delayed cotton seeding in Colombia.

Rather continuous sunny weather has favored sugar accumulation in Soviet **sugarbeets.** Sugarbeets are running relatively small in Western Europe, due to earlier heat and drought, though late summer weather has improved considerably.

August-September rains greatly improved **forage** crops in Australia, and relieved stress on forage in Western Europe and in major parts of Central and North America.

**Citrus fruits** in Brazil have suffered especially from widespread drought.

# Brazil's Tobacco Sales Boom at Home and Abroad

BRAZIL'S TOBACCO industry has grown rapidly over the past 2 years, and indications are that the boom is continuing in 1975. Cigarette output climbed 13 percent in 1974 and cigarette leaf exports soared by 70 percent during the same period.

The 1975 Brazilian cigarette tobacco crop is estimated at 231,000 metric tons, a 20 percent increase over the 1974 crop. Next year production is expected to swell another 20 percent. The recent frost that destroyed a large part of Brazil's coffee crop reportedly did not seriously affect tobacco production.

Expanded acreage—particularly of the Virginia flue-cured and burley varieties—and very favorable weather since November 1974 have contributed to the bumper cigarette leaf crop.

Cigarette leaf production has nearly doubled since the disappointing 1973 crop despite Brazil's large increases in soybean production. The cigarette leaf gains have eased concern about the difficulty of expanding tobacco production in Brazil's southern States, where production of soybeans and wheat has been stepped up over the past few years.

With the 20 percent growth in total tobacco leaf output predicted for 1976, fears of restraints on expansion appear to be unwarranted. New areas for tobacco farming, however, continue to be sought out. Production expansion in the near future seems most probable in the States of São Paulo, particularly its western region, and Minas Gerais.

The quality of the 1975 crop, on the average, is not expected to equal last season's but trade sources indicate the current crop will be of good smoking quality. Brazilian leaf has advanced steadily in quality over the past few years, thanks to better cultural practices, greater availability of new barns, and a general improvement in leaf handling on the farms.

The varieties that commanded the largest area increases in 1975 were Virginia flue-cured and burley, as Brazil has continued to push expansion programs to supply its burgeoning cigarette manufacturing industry and increase its exportable surplus of cigarette leaf.

*Workers sort Virginia flue-cured cigarette tobacco at a small operation (right), and at a major factory (below), in Santa Cruz do Sol, heart of Brazil's chief flue-cured producing region. Virginia flue-cured accounted for 36 percent of Brazil's 1975 cigarette tobacco production.*

The largest amount of acreage is devoted to Virginia flue-cured, which has accounted for 85,000 tons of the estimated 1975 cigarette leaf output—a 42 percent surge above the 1974 total for that variety. An even larger percentage gain has been registered by burley, which climbed 67 percent this year, for an output of 25,000 tons.

Production of the native flue-cured (Amarelinho) grew 16 percent to 58,000 tons in 1975. Only the native air-cured (Galpão) variety slipped in volume—a 10 percent drop, to 27,000 tons.

Twist production this year is estimated at 36,000 tons, a slight decline from last year's outturn. Production of twist is expected to continue its gradual downtrend of recent years, as manufactured tobacco products expand in sales, especially among tobacco users in the younger age groups.

Galpão output will drop about 10 percent this year, a reflection of farmer concern over unusually large carryover stocks from the 1974 crop.

The official cigarette leaf producer prices for the 1975 crop, announced in December 1974, are considerably higher than last year's for all varieties. Price increases averaged 37 percent for Virginia flue-cured and burley grades, and 42 percent for all grades of the native Amarelinho and Galpão.

Average official prices in cruzieros per kilo,[1] with 1974 prices in parentheses, were as follows: Virginia flue-cured, 4.78 (3.49); burley, 4.16 (3.03); Amarelinho, 4.30 (3.04); and Galpão, 2.53 (1.77).

Actual prices paid for the 1974 crop, however, tended to be much higher than

[1] **CR$1=12.1 U.S. cents, as of mid-September 1975.**

the official prices. Heavy demand caused by a strong export market and stock building by cigarette manufacturers new in the market pushed prices last year 30-40 percent above official levels in some cases.

This season, with a much larger 1975 crop, prices received by producers have been much closer to official levels. Official prices are expected to climb another 20-25 percent for the 1976 crop.

Cigarette output for 1974 has been estimated at 100 billion pieces, 13 percent above 1973's production. Despite an official inflation rate near 35 percent, Government-ordered salary increases for all workers helped to keep Brazil's cigarette sales increasing at a spectacular rate.

Cigarette output is expected to expand well again in 1975. A predicted 9 percent increase will bring cigarette production up to 109 billion pieces to meet demand expected from further Government-ordered salary hikes during 1975.

Of the 100 billion pieces produced in 1974, a little less than 74 billion were filter cigarettes, and that figure is forecast to exceed 80 billion this year.

The four most popular classes of filter cigarettes in Brazil had an average retail price of 46 U.S. cents per pack last year. During 1975, the average price for the same four classes is expected to rise to 50 cents.

Nonfilter cigarette output in 1974 hit 26.5 billion, and, growing at the same rate as filter cigarette production—about 9 percent—should reach nearly 29 billion this year.

Nonfilter cigarettes are considerably cheaper than filter-types in Brazil. The average retail price for a pack of nonfilters was 26 cents in 1974 and will probably climb to 30 cents in 1975.

Locally manufactured "international-blend" cigarettes that entered the Brazilian market last year averaged 61 cents per pack, and that price should climb to 66 cents in 1975.

BRAZIL'S LEAF tobacco exports skyrocketed in 1974. Volume of exports grew to 91,400 tons in calendar 1974, from 63,600 the previous year—a 44 percent increase. The value of total 1974 shipments was US$99 million, a 68 percent jump above the 1973 value of $59 million.

Of the 44 countries that purchased Brazilian leaf in the first half of 1974, the United States was the leader, both in volume and value. The United States took nearly 7,900 tons during January-July 1974, with West Germany and France around the 7,000-ton level.

The f.o.b. value of Brazilian exports to the United States for that period was $9.9 million, a little more than the West German total. The United Kingdom's bill was third highest, at $9.3 million, though its purchases were less than 5,500 tons.

An estimated 55,000 tons of the 1974 exports were cigarette leaf—70 percent more than 1973 shipments in that category. Cigarette leaf exports are forecast at 65,000 tons for 1975, which is nearly double the 1973 volume.

In 1974, an estimated 85 percent of cigarette leaf exports was Virginia flue-cured, 8 percent was Galpão, and 7 percent, burley. About the same distribution is expected for 1975 shipments.

Since Brazil has now become a major supplier of cigarette leaf to the world market, an accomplishment that has taken only a few years to attain, Brazilians are making every effort to maintain and enhance this position.

Although the Federal Government's involvement in exports of this commodity has been virtually nonexistent thus far, the State of Rio Grande do Sul, the country's largest exporter, has taken action. The State is encouraging exports by exempting leaf shipments from payment of the 13 percent ICM (value-added) tax. All other States that export cigarette leaf still require payment of the ICM tax.

—Based on a report from
CHARLES J. O'MARA
*U.S. Agricultural Officer,*
*São Paulo*

# United States, Romania Sign Farm Pacts

Secretary of Agriculture Earl L. Butz announced the signing on September 11 of two protocols with Romania that will provide exchanges of agricultural economic information, including anticipated Romanian imports of U.S. agricultural products, and cooperative activities in technical agricultural areas. Both nations agreed to establish a permanent Working Group on Agricultural Cooperation and Trade within the framework of the U.S.-Romanian Joint Economic Commission.

Romania took $155 million in U.S. farm products last year—second highest of all East European countries.

Under the protocol on development of agricultural trade, the United States and Romania agreed to exchange agricultural economic information on a regular basis. This would include stocks and forward estimates on supply and demand, and trade in major agricultural commodities for their countries and for world trade in these commodities.

By November of each year, the Romanian Ministry of Agriculture will provide the U.S. Department of Agriculture with a list of agricultural commodities and their quantities which intends to import for its own needs from the United States for the following year, and will keep the Department of Agriculture informed of significant changes in this list should they occur. In return, the U.S. Department of Agriculture will keep the Romanian Ministry informed of both U.S. and world market demand export availabilities for agricultural commodities.

Under this protocol, a permanent Working, Group on Agricultural Cooperation and Trade will be established, with commitments to meet not less than once a year.

In a second protocol on cooperation in agriculture, the United States and Romania agreed to develop and carry out a program of cooperation in agriculture in the fields of plant, animal and soil science and mechanization, such as exchanges of germplasm, cooperation in methods of application of agricultural chemicals, and use of mathematical models in agriculture.

Both nations will encourage the development of direct contacts between the governments, universities, research organizations, firms, enterprises, and individuals in the two countries.

Projects will be approved by both the U.S. Department of Agriculture and the Romanian Ministry of Agriculture as being mutually beneficial and advantageous. For calendar 1976, the designated fields of cooperation are: Production of corn, wheat, soybeans, sunflowers, including their resistance to insects and disease; increasing the production and sugar content of sugarbeets; animal diseases, including foot-and-mouth disease and transmissable gastroenteritis; methods of developing hybrid hogs for meat; and irrigation of plants and desalinization of soils.

# CROPS & MARKETS

## OILSEEDS • PRODUCTS

**1975/76 World Olive Oil Output Up.** Based on present favorable conditions, Spain's 1975/76 olive oil crop is expected to total 525,000 metric tons, a 69 percent increase over that of 1974/75 production (310,000 tons), trade sources indicate. Last year, adverse weather in Spain reduced olive oil output to its lowest level since 1964. As a result, Spain, which accounts for approximately one-third of world olive oil exports, reduced shipments substantially in 1975. Production increases in Italy and Tunisia, experiencing "on" years in biennial production cycles, are also expected to contribute to an increase in world production in 1975/76, now estimated at 1,635,000 tons—up from the revised 1974/75 estimate of 1,406,000 tons.

**U.S. Soybean Exports Fell in 1974/75.** U.S. soybean exports during the 1974/75 marketing year reached 12 million metric tons, according to final figures received by FAS from U.S. exporters under the export sales reporting system, which is not a measure of actual shipments. This total represents a reduction of 2.7 million tons from the 14.7 million tons (reported by the U.S. Census Bureau) exported during the past marketing year. Final Census figures for the current year are to be released at the end of September.

## DAIRY • POULTRY

**Danes Increase Poultry Exports to Cuba.** In the first 7 months of 1975, Danish exports of poultry meat—reportedly whole broilers—to Cuba totaled 28 million pounds. These shipments, well in excess of the 17 million pounds sold to West Germany, accounted for more than a third of Denmark's total poultry meat exports (80 million pounds) and established Cuba as a major chicken import market during the January-July period.

**ACA's Set on Poultry For U.K., Ireland.** The European Community (EC) Commission on July 23 established the accession compensatory amounts (ACA's) on poultry and poultry products for the United Kingdom and Ireland in trading with other EC and third countries.

ACA's are a means of adjusting for differences in pricing between the United Kingdom and the other EC countries as the domestic farm programs in the two countries make the transition toward conformity with that of the EC.

ACA's are applied as subsidies on exports from the other EC countries to the United Kingdom and Ireland and as levies on imports into the other EC countries from the United Kingdom and Ireland. In trade with third countries, the EC variable levy on imports of poultry meat and eggs into the United Kingdom and Ireland is reduced by the amount of the ACA. Similarly, EC export subsidies applied by the United Kingdom and Ireland are reduced by the amount of the ACA, provided that the reductions are not greater than the variable levy or the export subsidy.

The period for the new ACA's is for 1 year beginning August 1, but adjustments will be made each quarter to reflect differences between grain support prices in the United Kingdom and Ireland and other countries. ACA's for the first time have been applied to poultry meat and eggs.

**German Poultry Demand Strong.** The West German broiler industry is expanding production in response to the continued relatively strong market demand experienced during the past 3-4 months. June broiler egg placements increased 23 percent. During the first half of 1975 broiler egg placements were up almost 7 percent over those of first-half 1974. Egg placements for broiler breeding stock increased 29 percent in June. Expansion of broiler egg placements are forecast to remain at a relatively high rate during the last half of 1975.

**France's Prune Crop Heavily Damaged.** Late spring frost destroyed prune blossoms and set the stage for the smallest French prune crop in many years. Other summer fruits were also damaged and high fresh market prices siphoned off additional tonnage, normally dried, into the fresh market. Dried prune 1975 production is estimated at 500 metric tons, only a fraction of the record 1974 crop of 22,000 tons.

France is normally a net importer of dried prunes. Imports have ranged between 2,600 and 6,000 tons in recent years, while exports have ranged from 550 to 1,600 tons. Current carryover stocks are large, partially covering the shortfall. Import forecasts estimate 1975 import needs at approximately 10,000 tons. The United States is the major foreign supplier to the French market. Yugoslavia is the only other normal supplier of consequence.

**Yugoslavia's Prune Crop Larger.** Preliminary reports estimate Yugoslavia's prune crop at 18,000 metric tons, 15 percent above the 15,625 tons produced in 1974. Early-season growing conditions were hampered by cold and wet weather. Conditions improved as the season progressed and July and August were reported warm and sunny.

Yugoslav grower prices are set well in advance of the actual season. The 1975 price paid by processors for fresh plums for drying is 1.80 dinars per kilogram (4.8 U.S. cents per lb). Guaranteed Government prices for dried prunes produced in modern dryers (in dinars per kilo and cents per pound): 85 size and larger, 12 dinars (32 cents); 86 to 95 size, 11.50 dinars (30.7 cents); and 96 to 100 size, 11 dinars (29.4 cents).

The just-completed 1974 season exports are estimated at 11,800 tons. Russia is the principal market for Yugoslav prunes under an existing bilateral trade agreement. Small amounts are sold to West European countries. Export prices averaged $1,060 per metric ton during January-June 1975.

**Canada's Potato Crop Down.** On the basis of mid-August crop conditions, Statistics Canada released 1974 and 1975 potato production estimates by province. Total 1975 Canadian production is estimated to be off 15.2 million hundredweight from the previous year's level because of a 9

percent reduction in cultivated area and a seriously lower yield per acre resulting from drought conditions.

Production totals for 1974 and 1975, in 1,000 cwt, are: Prince Edward Island, 12,400, 7,360; Nova Scotia, 638,602; New Brunswick, 13,398, 8,640; Quebec, 8,425, 7,128; Ontario, 8,592, 6,150; Manitoba, 4,900 3,800; Saskatchewan, 380, 500; Alberta, 4,000, 3,200; British Columbia, 2,050, 2,200; total, 54,783, 39,580.

**Turkey Sets Dried Fruit and Nut Prices.** The Turkish Government has set support prices for 1975-crop dried fruit and tree nuts at the following levels (U.S. cents per pound): Sultana raisins, 31.3; dried figs, type 6A, 18.8; filberts, unshelled, round, 43.8; and pistachios, red skin, 82.9.

The Government authorizes and finances the cooperatives TARIS (raisins and figs), FISKOBIRLIK (filberts), and GUNEYDOGU (pistachios) to buy at these levels in order to maintain grower prices. (Currency converted at 14.50 Turkish lira to U.S.$1.00.)

## —GRAINS • FEEDS • PULSES • SEEDS—

**Rotterdam Grain Prices and Levies.** Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

| Item | Sept. 22 | Change from previous week | A year ago |
|---|---|---|---|
| | *Dol. per bu.* | *Cents per bu.* | *Dol. per bu.* |
| Wheat: | | | |
| Canadian No. 1 CWRS-13.5 | 6.38 | +15 | 5.83 |
| USSR SKS-14 | (1) | (1) | (1) |
| French Feed Milling [2] | 4.04 | −7 | (1) |
| U.S. No. 2 Dark Northern Spring: 14 percent | 5.63 | +8 | 5.69 |
| U.S. No. 2 Hard Winter: 13.5 percent | 5.52 | +27 | 5.58 |
| No. 3 Hard Amber Durum | 6.86 | −11 | 7.50 |
| Argentine | (1) | (1) | (1) |
| U.S. No. 2 Soft Red Winter | 4.61 | −9 | (1) |
| Feedgrains: | | | |
| U.S. No. 3 Yellow corn | 3.58 | +10 | 3.92 |
| French Maize [2] | 3.58 | +1 | (1) |
| Argentine Plate corn | 4.05 | +2 | 4.13 |
| U.S. No. 2 sorghum | 3.44 | +14 | 3.70 |
| Argentine-Granifero sorghum | 3.47 | +13 | 3.77 |
| U.S. No. 3 Feed barley | 3.64 | +16 | 3.42 |
| Soybeans: | | | |
| U.S. No. 2 Yellow | 6.44 | +26 | 8.40 |
| EC import levies: | | | |
| Wheat | .35 | −20 | 0 |
| Corn | .37 | −22 | 0 |
| Sorghum | .54 | −23 | 0 |

[1] Not quoted. [2] Basis c.i.f. west coast, England

NOTE: Price basis 30- to 60-day delivery

**West German Mixed Feed Production Down.** West Germany's mixed feed production totaled 8.32 million metric tons during the October 1974-June 1975 period, 49,000 tons or 0.6 percent below the same 9 months in 1973/74. This decline reflected reduced output in the swine feed sector that dropped 265,000 tons (8 percent) from 3.14 million tons a year earlier. Cattle feed production increased during the October 1974-June 1975 period from 2.59 million to 2.77 million tons. In spite of 1 percent fewer cattle, the demand for cattle feed is expected to increase substantially because of lower feed prices, poor grazing conditions, and a reduced hay crop.

West Germany's soybean meal consumption during the October 1974-May 1975 period was up 485,000 tons (33 percent) from the previous year's consumption to 1.94 million tons. During these same 8 months, soybean meal imports were up 97,000 tons (22 percent) to 538,000 tons, while soybean meal exports were down 412,000 tons (44 percent) to 517,000 tons from the same period a year ago. West Germany's increased soybean meal consumption during this 8-month period reflected favorable price ratios for soybean meal relative to grain.

West German imports of soybeans during the October 1974-May 1975 period decreased by 216,600 tons (8.6 percent) to 2.3 million tons from 2.52 million tons a year earlier. This would indicate that the increased meal consumption during the October 1974-May 1975 period drew down West German soybean stocks and could mean that West Germany may soon be coming back into the market for increased purchases.

**Sweden's Wheat Crop Estimate Increased.** Sweden's 1975 wheat crop amounts to 1.5 million metric tons, according to trade sources. Although well below the record harvest of 1.8 million tons in 1974, the new estimate is 300,000 tons higher than previously estimated, and would increase the amount of wheat available for export to about 800,000 tons. Sweden has already committed 500,000 tons for export in 1975/76 to Norway, Algeria, and for use by the Swedish International Development Authority. Wheat exports totaled about 1 million tons in 1974/75.

**USSR Grain Harvest Progress.** The grain harvest in the Soviet Union is progressing satisfactorily but is behind the pace of last year. The grain area cut as of September 15 totaled 99.8 million hectares or 81 percent of the area sown, compared with 88 percent on that date last year. Threshing had been completed on 95.5 million hectares.

Meanwhile, seeding of winter grains in the Soviet Union moved ahead of last year's pace, with 22.6 million hectares sown as of September 15—about 3 million hectares more than a year ago.

This year's Soviet target for winter grains is 35 million hectares, about the same as the target in 1974, when only 33.7 million hectares were actually sown.

**Argentina Increases Wheat Plantings.** The Argentine Ministry of Agriculture is now estimating the area sown to wheat for 1975/76 at 5,745,000 hectares, 125,000 more than the earlier estimate and 11 percent more than in 1974/75. Good weather has allowed farmers to plant more than was previously indicated. The new estimate is 17 percent above the average planted area of the past years, but only 2.5 percent above the recent 10-year average.

**Sorghum Preference Noted in Rotterdam.** Feed compounders and other feed buyers currently are showing a preference for sorghum over corn in the Rotterdam maket. Sorghum—mainly of U.S. origin—is selling at $9.30 per metric ton under corn on a landed EC levy-paid basis, January-March delivery. Another important factor is that there is no forward import levy fixation for corn as there is for sorghums. Consequently, sorghums are selling at well below threshold prices, while corn has to be sold practically at the threshold price.

**Yugoslav Wheat Crop Down, Corn Crop Up.** Yugoslavia's 1975 corn crop is now forecast at a record 8.5 million metric tons, 500,000 tons higher than the previous estimate. Wheat production, however, has been officially reduced to 4.4 million tons, down 300,000 tons from the previous estimate and almost a third lower than in 1974. Despite the smaller wheat crop, it is believed that Yugoslavia probably will not need to import wheat in the 1975/76 July-June season because of the big stocks accumulated from the record 1974 crop.

## TOBACCO

**EC Spends More on Tobacco Supports.** The cost of the tobacco support program in the European Community (EC) increased significantly in 1974, rising 59 percent over the 1973 cost to 188 million units of account (about $226 million). FEOGA (European Agricultural Guidance and Guarantee Fund), which collects national contributions and pays out support allocations under the Common Agricultural Policy (CAP), reports that 1974 expenditures for tobacco programs accounted for 6 percent of total FEOGA support expenses, compared with 3.3 percent in 1973. By contrast, total 1974 FEOGA expenses for all crop support and compensatory border payments declined almost 15 percent from the 1973 level.

Italy and France account for over 90 percent of EC tobacco production. They are thus the major beneficiaries of the CAP provisions for tobacco, which include guaranteed prices to producers, buyers' premiums to dealers and manufacturers who purchase EC tobacco, and export subsidies on certain varieties.

**Australia's Tobacco Tax Income Up.** Total duty charges collected by Australian customs on imported tobacco products have risen as a result of the higher national excise tax on all tobacco products sold in Australia. budget for 1975/76 increased the national excise tax on fine-cut tobacco and cigarettes by A$3.26 to A$19.36 per kilogram. As the excise tax is added to the import duty for collection by customs when such products are imported, total port duty charges rose by an equivalent amount. For a pack of 20 cigarettes, the excise tax rose 8 U.S. cents to 38 cents per pack. (US$1.28= A$1.00.)

## LIVESTOCK • PRODUCTS

**Dutch To Reduce Canned Ham Exports.** The Dutch Livestock and Meat Product Board announced on September 10 that Dutch canned ham exports would be reduced from the present level of 40,000 metric tons per year to 25,000 tons. The change is to become effective about January 1.

The Dutch Product Board-Industry Commission has submitted its study of the canned ham industry, with recommendations for possible restructuring and the necessary financial aid, to the Ministry of Agriculture and Economics.

According to G. A. Meyer, president of the Livestock and Meat Product Board, a need for a fundamental restructuring of the canned ham industry is imperative, particularly in view of continued strong East European competition and the uncertain future EC policy on restitutions.

## COTTON

**World Cotton Markets Continue Dull.** Through mid-September, U.S. raw cotton asking prices continued nominal at 7-9 cents per pound above those for competitive foreign growths. The spread between U.S. and foreign asking prices widened in July from 3 cents per pound to 6 cents. Even so, since then U.S. exporters have sold about 290,000 bales. During the same period, about 210,000 bales of Turkish cotton and 125,000 bales of South Brazilian cotton were reported sold for export, while very little Pakistani cotton was offered. Argentina has had good success in selling low-quality cotton. Central American farmers are the only foreign producers who have shown strong interest in contracting at recent prices. They have reportedly contracted almost 400,000 bales of their 1975/76 crop at 46-52 cents per pound.

**Increased Cotton Demand Expected.** USDA's 1975/76 export projection of 3.8-4.3 million bales of cotton is based on an expected increase in demand and the maintenance of the policies of several foreign producers toward holding excess supplies off the market until more satisfactory prices are obtainable. Although early September asking price quotations imply that U.S. cotton is several cents above competitive foreign growths, demand was very light and foreign suppliers were generally unwilling to offer in quantity. Stocks in foreign exporting countries on August 1 totaled a record 14.5 million bales (480 lb net weight), reflecting high producer support prices, attempts to maximize foreign exchange earnings, and efforts to minimize government losses that would result from selling stocks at price levels now prevailing.

**Guatemalan Cotton Production Lower.** Guatemalan farmers decreased cotton area by 25 percent to 205,000 acres in July-August and 1975 production is forecast at 435,000 balse, down 10 percent from that of 1974. Acreage dropped as a result of higher production costs and discouragingly low 1974 world cotton prices, but is above earlier predictions following a recovery in world cotton prices just before planting time. Lower 1975 production will reduce export availability about 10 percent below last season's exports of a little over 400,000 bales.

Principal customers in 1974/75 were Japan, West Germany, and Italy. European markets accounted for about half of total exports and Far Eastern customers one-third. By late August, exporters reportedly had contracted from farmers about 240,000 bales of new crop cotton, or 65 percent of export availability. Guatemalan farmers received an average of about 50 cents per pound during 1974/75. Recent contracts averaged 1 to 2 cents per pound below that level, which is reportedly at or near production cost.

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## N.Y. Futures Market Is Hedge for Cotton Buyers

*Continued from page 7*

existing cash price of 43.60 cents in March 1975.

In another transaction, a foreign mill in August 1973 bought 1,000 bales of Strict Middling 1-$^{3}/_{32}$ inches at 84.50 cents f.a.s. for August 1974 delivery. The price in August 1974 was 60.90 cents—a loss to the buyer of 23.60 cents per pound or more than $100 per bale. Had the same purchase been on call, the mill could have bought at 450 points in October 1974 and the mill price at fixation would have been 56.60 cents plus 450 points, or 61.10 cents.

AGAIN DISREGARDING the theoretical saving of over $100 per bale for on call purchases compared with the fixed price purchases, the buyer took a loss of 20 points in the basis or $1 a bale from the prevailing August 1974 spot price.

The saving of 50 points and the loss of 20 points in these examples are relatively unimportant; the insurance against serious loss is the main consideration. Actually, judgment errors in fixing the basis, or market circumstances, can cost the buyer. However, the loss sustained on basis would normally be within a maximum of a few cents per pound—a far cry from the losses sustained in the case of the fixed price transactions.

In other words, even if a buyer misjudges badly on fixing the basis, he would still avoid catastrophic losses, such as have occurred over the past several months in many fixed price transactions. As a result, interest in the technique of on call trading was high in all the countries visited by the Cotton Trade Mission. Some quantities of U.S. cotton traditionally are sold to Europe on an on call basis.

Of course, if a buyer made a fixed price purchase at a low price and the market went up, the situation would be the reverse, resulting in a windfall to the buyer.

While it is realistic to expect cotton sellers and buyers to assume the basis risks, most are not financially able to take the market risk on the basic price of cotton if prices fluctuate widely. By trading on an on call basis, cotton sellers and buyers can transfer the market risks to speculators operating in the market.

In addition to the price advantages of on call transactions, the buyer also has the flexibility of changing the initial delivery date to one more advantageous from the standpoint of demand for his finished product, raw cotton position, or other factors. He simply negotiates a new basis and delivery date with the seller.

The buyer should have a clear understanding of the fixing procedures stated in the sales contract. They will not be uniform with all exporters, but all will include these conditions: The price must be fixed at least 15 days prior to the month of shipment; the buyer must notify the seller to fix the price during an open market if possible or upon market opening or closing; and, the buyer is required to open the necessary letter of credit at least 7 days prior to the shipment month.

Some factors mentioned by Europeans as drawbacks to "on call" trading were: The New York market does not always reflect the world market—as is presently the case—and U.S. cotton makes up only a small percentage of total European requirements.

The mission did find U.S. cotton being undersold in Europe by competing growths by 5 or more cents a pound. This situation is the result of optimistic undertones emerging in the U.S. textile industry in recent weeks, which are providing some strength to U.S. cotton prices.

Few optimistic signs are yet apparent in most European countries, however, except in the segment of the textile industry producing denims, corduroys, and other fabrics benefitting from the fashion boom in jeans and other casual clothes.

The strengthening of the U.S. dollar relative to other currencies has also contributed to the price spread favoring foreign growths.

AT THE MOMENT: however, cotton stock levels throughout Europe are well below normal, which should lead to a revival of buying interest with any significant upturn in textile demand. This in turn would probably drive up the price of foreign growths, thus narrowing the competitive edge they now have on U.S. cotton.

A return to competitive pricing, combined with effectitve market development and aggressive merchandising, should enable the United States to regain a sizable share of the European cotton import market.



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